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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 08/09/06

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, Aug. 8

NIHON KEIZAI (Page 2) (Full)

August 9, 2006

09:30

Attended an executive meeting at party headquarters. Met incoming Nagano Governor Murai, with Education, Culture, Sports, Science and Technology Minister Kosaka, Secretary General Takebe, and others.

10:01

Attended a cabinet meeting at Kantei. Met Cabinet Office International Peace Cooperation Headquarters Chief Tarui. Followed by Cabinet Secretariat Head Yamamoto.

10:59

Met Cabinet Intelligence Director Mitani. Followed by Deputy Foreign Minister Nishida and European Affairs Bureau Director General Harada.

14:02

Attended the funeral of former Prime Minister Ryutaro Hashimoto at Nippon Budokan.

16:15

Met at Kantei with Deputy Chief Cabinet Secretary Nagase, prime

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ministerial assistant Makino, Deputy Foreign Minister Nishida, and others.

17:03

Attended a meeting of ministers involved in drawing up monthly economic reports.

18:05

Met National Personnel Authority President Tani, with Chief Cabinet Secretary Abe and others. Later, met Deputy Chief Cabinet Secretary

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Nagase.

19:08

Returned to his official residence.

4) Poll: 50% opposed to next premier's visit to Yasukuni Shrine, 62% favor separating Class-A war criminals from shrine

YOMIURI (Top play) (Full)

August 9, 2006

The Yomiuri Shimbun conducted a face-to-face nationwide public opinion survey on Aug. 5-6, in which respondents were asked if they would like the next prime minister to pay homage at Yasukuni Shrine. In response, "no," including "no to a certain degree," totaled 50%, with "yes" reaching 40%. "No" was up 8 percentage points from this June's survey, and "yes" down 6 points. The Yomiuri Shimbun has asked the same question in three previous surveys since February this year. In the latest survey, negative answers outnumbered affirmative ones for the first time.

When Prime Minister Koizumi ran in his ruling Liberal Democratic Party's presidential election in 2001, he pledged to pay homage at Yasukuni Shrine on Aug. 15, the anniversary of the end of World War II. In the survey, a total of 49% were negative and a total of 43% affirmative when asked if they would like him to do so. The survey shows that an increasing number of people are cautious about the prime minister's Yasukuni homage.

In the survey, respondents were also asked if they thought Class-A war criminals should be separated off from those enshrined at Yasukuni Shrine. In response, "yes" accounted for a total of 62%, with "no" totaling 24%. As seen from these figures, many showed their understanding for the idea of unenshrining the Class-A war criminals from Yasukuni Shrine.

In the meantime, the late Emperor Showa (Hirohito) was quoted as voicing his displeasure with the enshrinement of the Class-A war criminals at Yasukuni Shrine, according to a former Imperial Household grand steward's notes disclosed last month. In this connection, respondents were asked if they were affected by the

imperial quotes when thinking about the prime minister's Yasukuni visits, with "yes" accounting for a total of 37% and "no" totaling 55%.

However, "yes" to that question came from 46% of those opposed to the next prime minister's Yasukuni homage. This seems to be one of the reasons why the number of those opposed to the next premier's Yasukuni homage has increased.

In the breakdown of answers from those who support Chief Cabinet Secretary Abe—one of the three potential post-Koizumi

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candidates—about the next premier's Yasukuni homage, affirmative answers totaled 55%, with negative answers 38%. Among those supporting Foreign Minister Aso, affirmative answers accounted for 51% and negative ones 46%. As seen from these figures, affirmative answers outnumbered negative ones both among Abe supporters and among Aso supporters. Among those backing Finance Minister Tanigaki, however, affirmative answers accounted for no more than 26%, with negative ones totaling 69%. Tanigaki has clarified that he would abstain from paying homage at Yasukuni Shrine if he became prime minister. This seems to be one of the reasons why negative answers substantially outnumbered affirmative ones among Tanigaki supporters.

Respondents were further asked about a place appropriate for the state to mourn for the war dead. In response to this question, 35% picked Yasukuni Shrine at present, with 24% choosing Yasukuni Shrine that separates the Class-A war criminals, 19% preferring a new national secular memorial under state control, and 8% favoring Chidorigafuchi Cemetery. "Yasukuni Shrine at present" topped all other answers but was lower than the combined total of 52% for separating the Class-A war criminals from Yasukuni Shrine and mourning for the war dead at other facilities.

5) Prime Minister Koizumi eager to visit Yasukuni Shrine on Aug. 15

MAINICHI (Page 1) (Full)
August 9, 2006

Asked by reporters about whether his pledge to visit Yasukuni Shrine on Aug. 15 made during the campaign for the 2001 Liberal Democratic Party (LDP) presidential election was valid, Prime Minister Junichiro Koizumi responded last night, "Yes, the election promise is still valid." He reiterated, however, that he would make a decision appropriately. Koizumi's aide said, "He will visit the shrine during the period between the 13th and 16th." He has so far visited the shrine five times as prime minister, avoiding Aug. 15, the anniversary of the end of World War II. Prior to leaving the prime minister's post in September, Koizumi apparently expressed his enthusiasm to visit the shrine on Aug. 15.

Koizumi made the pledge during an April 2001 debate ahead of the LDP presidential election, saying: "It is natural for a politician to offer his respect and appreciation to the war dead. I will visit Yasukuni on Aug. 15 if I become prime minister, no matter how much I may be criticized."

Concerned about a negative reaction from China and South Korea, however, he visited the Shinto shrine on Aug. 13, 2001. He has since visited Yasukuni once a year on such occasions as the spring and fall festivals and on New Year's Day.

After paying homage at the shrine in April 2002, Koizumi explained the reason for avoiding Aug. 15, stating:

"Causing anxiety and a sense of alarm in Japan and overseas by insisting on a Yasukuni visit on the Aug. 15 anniversary of the end of the war or around Aug. 15 goes against my will."

Meanwhile, a senior LDP member commented last night: "He's not going to surprise people and forgo a visit on Aug. 15."

6) Abe negative about separation of Class-A war criminals from

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enshrined souls at Yasukuni Shrine

YOMIURI (Page 2) (Full)
August 9, 2006

Chief Cabinet Secretary Shinzo Abe, interviewed by the monthly magazine Bungeishunju on sale on Aug. 10, expressed a negative view about the idea of removing Class-A war criminals from Yasukuni Shrine, the Yomiuri Shimbun has learned. Abe stated about the Liberal Democratic Party (LDP) presidential election in September that in order to protect Japan, a beautiful country with a long history, firm determination even at the risk one's life is required.

Abe said that the Yasukuni issue should not be made a political issue, let alone a diplomatic one. Successive prime ministers made efforts to avoid such a situation. Four former premiers -- Masayoshi Ohira, Zenko Suzuki, Yasuhiro Nakasone, and Ryutaro Hashimoto -- and incumbent Prime Minister Junichiro Koizumi have paid homage at that Shinto shrine even though Class-A war criminals were enshrined there in 1978. Abe stated that there is no prime minister who supports Japan's wartime militarism even though they paid homage at a shrine that enshrines the leaders of the war. Abe indicated he was negative about the view calling on the prime minister to stop visiting Yasukuni.

7) Aso advocates secular status for Yasukuni

NIHON KEIZAI (Page 2) (Abridged)
Eve., August 8, 2006

Foreign Minister Taro Aso, meeting the press yesterday after a cabinet meeting, unveiled a plan to resolve the Yasukuni Shrine issue. The plan urges Yasukuni Shrine to give up its religious status and incorporate the shrine with special status under a new law for state control. His plan suggests the need for the Diet to discuss and determine who should be mourned there. This advocacy paves the way to separate Class-A war criminals from those enshrined at Yasukuni Shrine.

In his advocacy, Aso proposes putting Yasukuni Shrine under state control as a national facility. This is aimed at making it possible for the Emperor and foreign officials to pay their respects there. Aso began around this January to study specific ideas and worked out his proposal at this point, a month before the ruling Liberal Democratic Party's Sept. 8 announcement of its presidential election.

Aso proposes specific steps to make Yasukuni Shrine secular. In concrete terms, he urges Yasukuni Shrine and 52 other shrines for the war dead in the nation to give up their religious status, rename Yasukuni Shrine as a national memorial for the war dead, and utilize 10-20 billion yen to be returned to the state coffers from the Peace Memorial Special Fund, an independent administrative entity.

Aso also notes that the doctrine of Yasukuni Shrine will not be the one and only mourning criterion if the shrine is incorporated with secular status. In the meantime, Yasukuni Shrine has deemed it impossible to unenshrine the Class-A war criminals. However, Aso implies that it would be possible to do so if the shrine is given special legal status. In addition, Aso asserts that Yasukuni Shrine's controversial war museum, Yushukan, should be placed under

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government control for appropriate displays.

8) Nine cabinet ministers will not visit Yasukuni Shrine on Aug. 15;
Tanigaki urges Koizumi to stay away

ASAHI (Page 2) Full)
Eve., August 8, 2006

After a cabinet meeting on Aug. 8 of the 17 cabinet ministers, excluding Prime Minister Junichiro Koizumi, nine members said that they would not visit Yasukuni Shrine on Aug. 15, the anniversary of the end of World War II. There were no ministers who said they would go. Thirteen of the ministers, excluding four now overseas, answered questions.

The nine ministers include Finance Minister Sadakazu Tanigaki; Koki Chuma, state minister in charge of regulatory reform; Land, Infrastructure and Transport Minister Kazuo Kitagawa; Education Minister Kenji Kosaka; Financial Affairs Minister Kaoru Yosano; Science and Technology Minister Iwao Matsuda; Health, Labor and Welfare Minister Jiro Kawasaki; Kuniko Inoguchi, minister in charge of measures for the declining birthrate; and Economy, Trade and Industry Minister Toshihiro Nikai. Environment Minister Yuriko Koike did not clarify her intention. She is expected to be overseas on Aug. 15.

Matsuda explained why he would not go, saying, "I want to place importance on relations with Asia." Kosaka said, "When it comes to official visits, we should give consideration to reactions from other countries." Kawasaki stated: "It's a matter for individuals to decide."

Tanigaki, however, urged Koizumi to think carefully about an Aug. 15 visit, saying: "I wonder about the actions of the prime minister being decided on based solely on individual freedom. Perhaps he should think about that point a bit more."

Chief Cabinet Secretary Shinzo Abe, meanwhile, stated: "With this becoming a political and diplomatic issue, I will refrain from saying whether or not I went there and whether or not I will go there again."

Agriculture Minister Shoichi Nakagawa said: "I visit Yasukuni on Aug. 15 every year. I have yet to make a decision this year, though there is no particular reason for me to change my plans." Foreign Minister Taro Aso refrained from revealing his plans.

9) Japan-South Korea foreign ministerial: Foreign Affairs and Trade Minister calls for removing obstacles to holding summit; Wants prime minister to stop visiting Yasukuni Shrine

TOKYO SHIMBUN (Page 3) (Full)
August 9, 2006

Foreign Minister Taro Aso yesterday evening met in Tokyo with South Korean Foreign Affairs and Trade Minister Ban Ki-moon, who is now in Japan to attend the funeral of the late former Prime Minister Ryutaro Hashimoto that is being jointly held by the Cabinet and the Liberal Democratic Party (LDP).

During the talks, Ban noted: "It is currently impossible to hold a summit between our countries. This situation is abnormal. It is

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important to eliminate obstacles for the sake of the normalization of ties at the earliest date possible." With the anniversary of the end of World War II on Aug 15 approaching, we tacitly called on Prime Minister Junichiro Koizumi not to visit Yasukuni Shrine.

Aso simply noted, "I would like to cooperate for strengthened bilateral relations through frequent meetings with Mr. Ban."

Referring to the Takeshima/Dokdo islets, over which both Japan and South Korea claim sovereignty, Aso has again proposed introducing a prior notification system intended to prevent an unexpected contingency from occurring in the event of either country conducting a scientific survey in waters claimed by both countries as their EEZ. Ban responded: "I am aware of the importance of both of our countries forming an amicable maritime order. South Korea is still continuing to looking into specific measures."

Aso and Ban also discussed North Korea's ballistic missile issue. They reaffirmed their stance of strengthening bilateral cooperation

for the early return of Pyongyang to the six-party framework in accordance with the resolution adopted by the United Nations Security Council.

10) LDP proposes having more than 150 embassies abroad to reinforce Japan's diplomacy

NIHON KEIZAI (Page 2) (Abridged)
Eve., August 8, 2006

The ruling Liberal Democratic Party held the first meeting of its special committee this morning, seeking to consolidate and reinforce Japan's diplomacy. The committee, with former Prime Minister Yoshiro Mori presiding, worked out a report of urgent recommendations to be budgeted for next fiscal year. In its report, the committee points to the weakness of Japan's diplomatic corps overseas as compared with Europe, the United States, and China. The report suggests the need for Japan to have 2,000 more diplomats at its overseas posts for a global posting setup of 7,500 diplomats. In addition, the report also says Japan should have more than 150 embassies abroad. The Foreign Ministry will incorporate these recommendations in its budget request.

11) 4,600 Japanese and foreign dignitaries attend Hashimoto's funeral

YOMIURI (Page 4) (Full)
August 9, 2006

The funeral of former Prime Minister Ryutaro Hashimoto, who passed away in July, was held at the Nippon Budokan Hall in Tokyo yesterday. The cabinet and the Liberal Democratic Party organized the funeral. About 4,600 local and foreign dignitaries, including Crown Prince Naruhito, attended the funeral.

Representing the cabinet, Prime Minister Junichiro Koizumi delivered a eulogy:

"On the slogan 'Reform and Creation,' he devoted his political career to reforms to reinvent the country's political, administrative, economic, and social systems."

12) LDP policy chief: Next LDP president should show timetable for

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constitutional reform

NIHON KEIZAI (Page 2) (Full)
August 9, 2006

Liberal Democratic Party (LDP) Policy Research Council Chairman Hidenao Nakagawa, referring in a speech in Tokyo to the post-Koizumi government, stated yesterday:

"The next LDP president should aim to form a solid government, serving the two full terms of six years. The next government as a constitutional reform government should present a timetable and policy direction for constitutional revision."

13) 2006 LDP presidential race: Cautious views growing about Yamasaki, Nukaga joining race; Many eager to back Abe, the right horse

YOMIURI (Page 4) (Excerpts)
August 9, 2006

Former LDP Vice President Taku Yamasaki, who heads the Yamasaki faction, and Defense Agency Director-General Fukushima Nukaga of the Tsushima faction are considering running in the September LDP

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presidential race. But cautious views are growing in their respective factions. Given Chief Cabinet Secretary Shinzo Abe's big lead, the trend reflects the desire of politicians to back the right horse.

Four mid-level and junior members of the Yamasaki faction, including Ryotaro Tanose, held talks with Yamasaki yesterday in Tokyo. In the session, they urged Yamasaki to display leadership in a way that would unite the faction, including the question of his possible candidacy for the presidency. They also insisted on enlivening the presidential race by utilizing the faction's policy proposals to guide it to a victory in next year's Upper House election. In response, Yamasaki said: "I will make a decision after thinking things through. I am planning to reach a clear decision after the mid-August Bon holiday break."

Their request was taken to mean a call on Yamasaki to give up his candidacy. That is because many Yamasaki faction members are eager to rally around Abe, although some still think their leader should join the race. LDP Policy Research Council Vice Chairman Akira Amari, former Education Minister Takashi Kosugi, and former Defense Agency Director-General Yoshinori Ono of the Yamasaki faction attended yesterday a meeting of veteran LDP lawmakers supporting Abe.

Meanwhile, former Health and Welfare Minister Yuji Tsushima, who heads the Tsushima faction, met yesterday with General Council Chairman Fumio Kyuma at LDP headquarters. Kyuma expressed a cautious view about Nukaga joining the race, saying: "No one in the faction is actively urging him to run in the race. I think many feel the same way as I do." Tsushima and others have confirmed a plan to discuss the matter among faction leaders to reach a conclusion in mid-August or later.

Some mid-level and junior members of the Tsushima faction are calling for fielding Nukaga, but many executives and mid-level members are leaned toward forgoing his candidacy.

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14) Koga, Nikai decide to support Abe in LDP presidential race; Abe's predominance clear

YOMIURI (Page 1) (Abridged slightly)
August 9, 2006

Former LDP Secretary General Makoto Koga, who heads the Niwa-Koga faction in the party, and Economy, Trade and Industry Minister Toshihiro Nikai, who heads the Nikai faction, have decided to support Chief Cabinet Secretary Shinzo Abe in the September LDP presidential election. Koga conveyed his decision to Policy Research Council Chairman Nakagawa, who is close to Abe. With the decision to back Abe by Koga, who was regarded as a leader of anti-Abe forces, the great majority of the Niwa-Koga faction members is also expected to throw their support behind Abe. The Nikai faction is also likely to rally around Abe in unison. Abe's predominance has now become evident, with some 190 LDP lawmakers out of the 403 having made up their minds to back him.

According to a person concerned, Koga met Nakagawa earlier this month in Tokyo. In the session, Koga expressed his intention to support Abe, saying: "A battle with an Ozawa-led Minshuto is expected to occur in the next three years. Veteran lawmakers need to back up Mr. Abe, who is still young." Koga reportedly also expressed eagerness to serve as a mediator between senior lawmakers, who have strong aversion to a drastic generational change, and Abe.

Meanwhile, Nikai, a pro-China lawmaker, originally showed concern over Abe's Asia policy, but he has decided to back Abe based on his close ties with Nakagawa. The Nikai faction released yesterday a set of policy proposals that stopped short of referring to the Yasukuni issue, indicating simply to discuss Asia policy in the party.

Nakagawa, Koga, and Nikai are scheduled to meet in mid-August or later to confirm their plan to rally around Abe.

Ten senior LDP lawmakers, including party tax commission chairman Hakuo Yanagisawa of the Niwa-Koga faction, former Management and Coordination Agency chief Seiichi Ota, and Agriculture, Forestry and Fisheries Minister Shoichi Nakagawa of the Ibuki faction, held talks with Abe yesterday in Tokyo and clarified their support for Abe.

Yanagisawa and others attended the meeting because former Health and Welfare Minister Yuya Niwa, another leader of the Niwa-Koga faction, has approved to back Abe.

The breakdown of support for Abe at present: 86 Mori faction members, most of the 15 Nikai faction members, over 30 members of the 48-member Niwa-Koga faction, more than 30 members of the 70 unaffiliated lawmakers, and some 10 members out of the 32-strong Ibuki faction. In addition, several members each of the Tsushima, Yamasaki, and Komura factions have expressed their support of Abe.

15) ASEAN+3 aims to create EPA covering all of East Asia in 2011

NIHON KEIZAI (Page 1) (Full)
August 9, 2006

In their ministerial meetings later this month, 13 countries - Japan, China, South Korea, and the members of the Association of Southeast Asian Nations (ASEAN) - are likely to decide to start talks on an economic partnership agreement (EPA) covering the entire

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East Asian region. They plan to start laying down rules in a wide range of areas, including intellectual property, in addition to abolishing tariffs on goods. The 13 countries aim to begin government-to-government talks next year and conclude an agreement in 2011.

In a bid to lessen China's influence, Japan wants an EPA that covers a wider area in the region. Economy, Trade and Industry Minister Toshihiro Nikai is ready to propose that India, Australia, and New Zealand be added to the 13 countries. Should agricultural countries like Australia join the accord, however, Japan would be urged to speed up the opening of its farm market, and the negotiations eventually might encounter difficulty.

In the ASEAN+3 economic ministerial in 2004, China came up with the idea of an EPA. A panel of experts from the public and private sectors has pushed ahead with drafting a plan. The plan is likely to be adopted in the ministerial meeting slated for late this month.

Under the draft plan, the governments of the 13 countries would begin discussion next year and full-scale negotiations in 2009. They would make preparations to abolish tariffs on goods, and undertake liberalization and create rules regarding services, investment, and other areas. In 2011, they would conclude the negotiations and completely end tariffs on general goods in 2016.

If realized, the region would be a free trade zone worth 7-8 trillion dollars in production, making it the third largest following the North American Free Trade Agreement (NAFTA) and the European Union (EU).

Preparations are underway for ASEAN to reach free trade agreements (FTA) with China, India, South Korea, Japan and other countries. This development has contributed to move the EPA concept forward.

16) Government estimates need to hike consumption tax to 8.9% in fiscal 2015; Social security expenses to increase

SANKEI (Top Play) (Excerpts)
August 9, 2006

The government and the ruling parties are now considering the possibility of covering an increased portion of social security expenses (the portion funded by tax revenues) through a hike in the consumption tax. It was revealed yesterday that the government estimates that it is necessary to raise the consumption tax 3.9 points by 2015. The government also projects the need to further hike the tax 7 points by 2025. The predominant view in the ruling camp is to raise the consumption tax to 8% from the current 5%. According to this plan, a lack of funds to finance social security is bound to become a problem several years after the hike, having a major impact on future consumption tax discussions.

The tentative estimate has been calculated by automatically working out consumption tax rates needed to finance an increase in social security expenses based on the Outlook for the Payments and Burden of Social Security Benefits (figures projected in May 2006) compiled by the Ministry of Health, Labor and Welfare, which discounts the effects of the ongoing medical system reform, and data provided by the Ad Hoc Council for Discussion on the Fiscal System. Estimated revenues from the consumption tax per percentage point are 2.7 trillion yen in 2015 and 3.2 trillion yen in 2025.

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The government and the ruling camp are aiming at achieving a primary balance in fiscal 2011. The increase in social security expenses this year is projected at 5.8 trillion yen, combining 2.7 trillion yen to finance an increase in the state's share of the basic pension to 50% and 3.1 trillion yen to finance the social security system, including medical services and nursing-care expenses. The 5.8 trillion yen is equivalent to 2.3% in terms of consumption tax, meaning that a 3% hike in the consumption tax could cover increased social security expenses.

SCHIEFFER